

**FAIRFIELD TOWNSHIP
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
MARCH 31, 2005**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Fairfield	County Lenawee
Audit Date 3/31/05	Opinion Date 8/30/05	Date Accountant Report Submitted to State: 9/12/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Philip R. Rubley, CPA			
Street Address 133 W. Main St.	City Morenci	State MI	ZIP 49256
Accountant Signature 		Date 8/30/05	

**FAIRFIELD TOWNSHIP
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2005**

TABLE OF CONTENTS

	<u>PAGE</u>
 <u>FINANCIAL SECTION</u>	
Management Discussion and Analysis	1 - 6
Independent Auditor's Report	7 - 8
Government – Wide Statement of Net Assets	9
Government – Wide Statement of Activities	10 - 11
Governmental Fund Balance Sheet	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	13
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Fund Statement of Net Assets	16
Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets	17
Reconciliation of the Statement of Revenues, Expenses and Changes in Net Assets of Enterprise Funds to the Statement of Activities	18
Proprietary Fund Statement of Cash Flows	19 - 20
Fiduciary Funds Statement of Net Assets	21
Notes to Financial Statements	22 - 35
 <u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Budgetary Comparison Schedule – General Fund	36
Budgetary Comparison Schedule – Fire Fund (Major Special Revenue Fund)	37

Combining Balance Sheet – Non-Major Governmental Funds

38

Combining Statement of Revenues, Expenditures and Changes in Fund Balance –
Non-Major Governmental Funds

39

OTHER INFORMATION

Letter on Internal Controls

FAIRFIELD TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Fairfield Township government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and fire fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds. The Township maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township has two funds to account for sewer and water activity.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

FAIRFIELD TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, recreation and culture and community development.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories; governmental funds, and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. Proprietary funds account for the activities of the government's waste water and water systems.

Other Information

The Township has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

FAIRFIELD TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

The Township As A Whole

The Township's net assets for the year ended March 31, 2005 increased by 2.38% over the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Township was fiscally able to grow at a rate close to inflation.

The governmental activities reflect net assets of \$851,786.

By far the largest portion of the Township's net assets (41.04%) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

FAIRFIELD TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

FAIRFIELD TOWNSHIP NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
	<u>2005</u>	<u>2005</u>
<u>Revenue</u>		
Program Revenue:		
Charges for Services	\$ 29,367	\$ 80,312
Operating Grants and Contributions	5,897	61,055
General Revenue:		
Property Taxes	194,159	---
Grants and Contributions Not Restricted To Specific Program	130,557	---
Interest and Rentals Earnings	<u>2,251</u>	<u>9,841</u>
Total Revenue	<u>362,231</u>	<u>151,208</u>
<u>Expenses</u>		
General Government	111,237	---
Public Safety	95,197	---
Public Works	98,401	199,515
Community and Economic Development	17,265	---
Recreation and Culture	271	---
Interest on Long-Term Debt	1,275	66,120
Other Functions	<u>18,799</u>	<u>---</u>
Total Expenses	<u>342,445</u>	<u>265,635</u>
Increase In Net Assets	19,786	(114,427)
Net Assets Beginning of Year	<u>832,000</u>	<u>5,123,161</u>
Net Assets End of Year	<u>\$ 851,786</u>	<u>\$5,008,734</u>

FAIRFIELD TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

FAIRFIELD TOWNSHIP NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
	<u>2005</u>	<u>2005</u>
Current and Other Assets	\$502,184	\$1,631,962
Capital Assets	<u>395,602</u>	<u>4,753,772</u>
Total Assets	<u>\$897,786</u>	<u>\$6,385,734</u>
Long-Term Liabilities Outstanding	\$ 46,000	\$1,377,000
Other Liabilities	<u>---</u>	<u>---</u>
Total Liabilities	<u>46,000</u>	<u>1,377,000</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	349,602	3,376,772
Unrestricted	<u>502,184</u>	<u>1,631,962</u>
Total Net Assets	<u>\$851,786</u>	<u>\$5,008,734</u>

Government Activities

Government activities increased the Township's net assets by \$19,786.

The Township's Funds

Our analysis of the Township's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Trustee Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

FAIRFIELD TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

General Fund Budgetary Highlights

There are no differences between the original budget and amended budget.

Capital Assets And Debt Administration

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounted to \$5,149,374 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current year was 1.41%.

Long-term debt of the Township decreased by \$30,000 (see Note 8 of the basic financial statements). There was no new debt incurred in the fiscal year ended March 31, 2005.

Economic Factors And Next Year's Budget And Rates

The Township's budget for 2005-2006 fiscal year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Townships Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at P.O. Box 286, Jasper, Michigan 49248.

PHILIP R. RUBLEY

- Certified Public Accountant -

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

August 30, 2005

Township Board
Fairfield Township
Lenawee County
9965 Brown Street
Weston, MI 49289

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fairfield Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fairfield Township management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fairfield Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10, the Township's has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fairfield Township basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Fairfield Township
August 30, 2005

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

FAIRFIELD TOWNSHIP
Government-wide Statement of Net Assets
March 31, 2005

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and Equivalents	\$485,509	\$ 541,376	\$1,026,885
Receivables - Net	13,131	1,089,171	1,102,302
Prepaid Items and Other Assets	3,544	1,415	4,959
Capital Assets Not Being Depreciated	25,000	---	25,000
Capital Assets Being Depreciated - Net	<u>370,602</u>	<u>4,753,772</u>	<u>5,124,374</u>
Total Assets	<u>\$897,786</u>	<u>\$6,385,734</u>	<u>\$7,283,520</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	\$ ---	\$ ---	\$ ---
Long-Term Liabilities:			
Due Within One Year	5,000	31,000	36,000
Due In More Than One Year	<u>41,000</u>	<u>1,346,000</u>	<u>1,387,000</u>
Total Liabilities	<u>46,000</u>	<u>1,377,000</u>	<u>1,423,000</u>
<u>Net Assets</u>			
Invested In Capital Assets, Net of Related Debt	349,602	3,376,772	3,726,374
Unrestricted	<u>502,184</u>	<u>1,631,962</u>	<u>2,134,146</u>
Total Net Assets	<u>\$851,786</u>	<u>\$5,008,734</u>	<u>\$5,860,520</u>

The notes to financial statements are an integral part of this statement.

FAIRFIELD TOWNSHIP
Government-wide Statement of Activities
For The Year Ended March 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<u>Governmental Activities:</u>					
General Government	\$ 111,237	\$ 9,195	\$ ---	\$ ---	\$ (102,042)
Public Safety	95,197	20,172	5,897	---	(69,128)
Public Works	98,401	---	---	---	(98,401)
Community and Economic Development	17,265	---	---	---	(17,265)
Recreation and Culture	271	---	---	---	(271)
Other Functions	<u>20,074</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(20,074)</u>
Total Governmental Activities	<u>342,445</u>	<u>29,367</u>	<u>5,897</u>	<u>---</u>	<u>(307,181)</u>
<u>Business-Type Activities:</u>					
Utilities	<u>265,635</u>	<u>80,312</u>	<u>61,055</u>	<u>---</u>	<u>(124,268)</u>
Total	<u>\$ 608,080</u>	<u>\$109,679</u>	<u>\$66,952</u>	<u>\$ ---</u>	<u>\$ (431,449)</u>

FAIRFIELD TOWNSHIP
Government-wide Statement Of Activities (Concluded)
For The Year Ended March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Changes In Net Assets</u>			
Net (Expense) Revenue	\$ (307,181)	\$ (124,268)	\$ (431,449)
General Revenues:			
Property Taxes and Assessments	194,159	---	194,159
Grants and Contributions			
Not Restricted To			
Specific Programs	130,557	---	130,557
Unrestricted Investment			
Earnings and Rentals	<u>2,251</u>	<u>9,841</u>	<u>12,092</u>
Total General Revenues, Contributions and Transfers	<u>326,967</u>	<u>9,841</u>	<u>336,808</u>
Change In Net Assets	19,786	(114,427)	(94,641)
Net Assets, Beginning of Year	<u>832,000</u>	<u>5,123,161</u>	<u>5,955,161</u>
Net Assets, End of Year	<u>\$ 851,786</u>	<u>\$5,008,734</u>	<u>\$5,860,520</u>

The notes to financial statements are an integral part of this statement.

FAIRFIELD TOWNSHIP
Governmental Funds
Balance Sheet
March 31, 2005

	<u>General</u> <u>Fund</u>	<u>Fire</u> <u>Fund</u>	<u>Other</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>				
Cash and Cash				
Equivalents	\$347,053	\$120,595	\$17,861	\$485,509
Prepaid Expenses	1,296	2,145	---	3,441
Receivables - Net	8,665	4,466	---	13,131
Due From Other Funds	<u>103</u>	<u>---</u>	<u>---</u>	<u>103</u>
Total Assets	<u>\$357,117</u>	<u>\$127,206</u>	<u>\$17,861</u>	<u>\$502,184</u>
<u>LIABILITIES</u>				
Accounts Payable/				
Accrued Liabilities	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	---	---	---	---
Deferred Revenue	<u>185</u>	<u>82</u>	<u>---</u>	<u>267</u>
Total Liabilities	<u>185</u>	<u>82</u>	<u>---</u>	<u>267</u>
<u>FUND BALANCES</u>				
Unreserved	<u>356,932</u>	<u>127,124</u>	<u>17,861</u>	<u>501,917</u>
Total Fund Balances	<u>356,932</u>	<u>127,124</u>	<u>17,861</u>	<u>501,917</u>
Total Liabilities and				
 Fund Balances	<u>\$357,117</u>	<u>\$127,206</u>	<u>\$17,861</u>	<u>\$502,184</u>

FAIRFIELD TOWNSHIP
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
March 31, 2005

Fund Balances – Total Governmental Funds	\$ 501,917
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital Assets	817,179
Deduct: Accumulated Depreciation	(421,577)
Revenue that has been billed as a receivable, but not collected until later years, was not reported in the funds.	
Add: Deferred Revenue	267
Certain liabilities, such as bonds payable, notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: Notes payable - USDA	<u>(46,000)</u>
Net Assets of Governmental Activities	<u>\$ 851,786</u>

FAIRFIELD TOWNSHIP
Governmental Funds
Statement of Revenue, Expenditures, and Changes In Fund Balances
For The Year Ended March 31, 2005

	General Fund	Fire Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes and Assessments	\$127,967	\$ 65,925	\$ ---	\$193,892
Intergovernmental	130,557	---	554	131,111
Licenses and Permits	11,139	---	---	11,139
Fines and Forfeitures	208	---	---	208
Charges for Services	---	4,860	---	4,860
Interest and Rentals	2,148	89	14	2,251
Other	9,195	505	8,803	18,503
Total Revenue	281,214	71,379	9,371	361,964
<u>EXPENDITURES</u>				
Current:				
General Government	108,177	---	---	108,177
Public Safety	---	58,418	3,739	62,157
Public Works	98,401	---	---	98,401
Community Economic Development	17,265	---	---	17,265
Capital Outlay	2,461	821	1,540	4,822
Other Functions	17,556	14,518	---	32,074
Total Expenditures	243,860	73,757	5,279	322,896
Excess of Revenue Over (Under) Expenditures	37,354	(2,378)	4,092	39,068
Other Financing Sources (Uses)				
Transfers In	---	10,000	---	10,000
Transfers (Out)	(10,000)	---	---	(10,000)
Total Other Financing Sources (Uses)	(10,000)	10,000	---	---
Net Change In Fund Balances	27,354	7,622	4,092	39,068
Fund Balances – Beginning of Year	329,578	119,502	13,769	462,849
Fund Balances – End of Year	\$356,932	\$127,124	\$17,861	\$501,917

FAIRFIELD TOWNSHIP
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
March 31, 2005

Net Change In Fund Balances – Total Governmental Funds

\$ 39,068

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct: Depreciation Expense

(31,549)

Revenue deferred on the governmental funds report, which has been charged to receivable and thus income on the statement of activities.

Add: Deferred Revenue other adjustments

267

Notes payable proceeds provide current financial resources to governmental funds in the period issued, but issuing notes payable increase long-term liabilities in the statement of net assets. Repayment of notes principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Add: Principal payments on long-term liabilities

12,000

Change In Net Assets Of Governmental Activities

\$ 19,786

FAIRFIELD TOWNSHIP
Statement of Net Assets
Proprietary Funds
March 31, 2005

	Business-Type Activities - Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Utilities</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 239,342	\$ 302,034	\$ 541,376
Accounts Receivable	20,571	15,287	35,857
Due from Other Funds	1,415	---	1,415
Total Current Assets	<u>261,328</u>	<u>317,321</u>	<u>578,648</u>
Noncurrent Assets:			
Property and Equipment - Net	1,886,745	2,867,027	4,753,772
Special Assessment Receivable	98,543	954,771	1,053,314
Total Noncurrent Assets	<u>1,985,288</u>	<u>3,821,798</u>	<u>5,807,086</u>
Total Assets	<u>\$2,246,616</u>	<u>\$4,139,119</u>	<u>\$6,385,734</u>
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ ---	\$ ---	\$ ---
Bonds and Note Payable Current Portion	---	31,000	31,000
Total Current Liabilities	<u>---</u>	<u>31,000</u>	<u>31,000</u>
Noncurrent Liabilities:			
Bonds and Note Payable	---	1,346,000	1,346,000
Total Noncurrent Liabilities	<u>---</u>	<u>1,346,000</u>	<u>1,346,000</u>
Total Liabilities	<u>---</u>	<u>1,377,000</u>	<u>1,377,000</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,886,745	1,490,027	3,376,772
Unrestricted	359,871	1,272,091	1,631,962
Total Net Assets	<u>2,246,616</u>	<u>2,762,118</u>	<u>5,008,734</u>
Net Assets of Business-Type Activities on the Government-Wide Statement of Net Assets	<u>\$2,246,616</u>	<u>\$4,139,119</u>	<u>\$6,385,734</u>

The accompanying notes are an integral part of this financial statement.

FAIRFIELD TOWNSHIP
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended March 31, 2005

	Business-Type Activities - Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Utilities</u>
Operating Revenues			
Charges for Services	\$ 36,268	\$ 44,044	\$ 80,312
Total Operating Revenues	<u>36,268</u>	<u>44,044</u>	<u>80,312</u>
Expenses			
Salaries and Fringe Benefits	3,503	7,793	11,296
Supplies	940	3,216	4,156
Contractual Services	16,535	13,751	30,286
Transportation	6,333	467	6,800
Utilities	2,206	552	2,758
Miscellaneous	---	1,166	1,166
Repairs and Maintenance	9,508	7,043	16,551
Depreciation	67,300	59,202	126,502
Total Operating Expenses	<u>106,325</u>	<u>93,190</u>	<u>199,515</u>
Operating Income (Loss)	<u>(70,057)</u>	<u>(49,146)</u>	<u>(119,203)</u>
Non-Operating Revenues (Expenses)			
Investment Income	3,283	6,558	9,841
Interest Expense and Fiscal Charges	---	(66,120)	(66,120)
Special Assessments	16,855	44,200	61,055
Total Non-Operating Revenues (Expenses)	<u>20,138</u>	<u>(15,362)</u>	<u>4,776</u>
Income (Loss)	<u>(49,919)</u>	<u>(64,508)</u>	<u>(114,427)</u>
Net Assets, Beginning of Year	<u>2,296,535</u>	<u>2,826,626</u>	<u>5,123,161</u>
Net Assets, End of Year	<u>\$2,246,616</u>	<u>\$2,762,118</u>	<u>\$5,008,734</u>

The accompanying notes are an integral part of this financial statement.

FAIRFIELD TOWNSHIP
Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities
March 31, 2005

Change In Net Assets – All Enterprise Funds	\$ (114,427)
No additional adjustments	<u>---</u>
Change In Net Assets Of Business-Type Activities	<u>\$ (114,427)</u>

FAIRFIELD TOWNSHIP
Statement of Cash Flows
Proprietary Funds
For The Year Ended March 31, 2005

	Business-Type Activities - Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Utilities</u>
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 44,271	\$ 85,803	\$ 130,074
Cash Payment to Suppliers For Goods and Services/Employees	(39,025)	(33,988)	(73,013)
Net Cash Provided (Used)	<u>5,246</u>	<u>51,815</u>	<u>57,061</u>
Cash Flows From Capital and Related Financing Activities			
Special Assessment Receivable	16,045	88,636	104,681
Bond Principal Payments	---	(30,000)	(30,000)
Bond Interest Payments	---	(66,120)	(66,120)
Net Cash (Used) by Capital and Related Financing Activities)	<u>16,045</u>	<u>(7,484)</u>	<u>8,561</u>
Cash Flows From Investing Activities			
Investment Income	4,917	6,558	11,475
Purchase of Capital Assets	(7,885)	(93,133)	(101,018)
Net Cash Provided (Used) by Investing Activities	<u>(2,968)</u>	<u>(86,575)</u>	<u>(89,543)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,323	(42,244)	(23,921)
Cash and Cash Equivalents, Beginning of Year	<u>221,019</u>	<u>344,278</u>	<u>565,297</u>
Cash and Cash Equivalents, End of Year	<u>\$239,342</u>	<u>\$302,034</u>	<u>\$ 541,376</u>
Reconciliation to Statement of Net Assets			
Cash and Cash Equivalents	<u>\$239,342</u>	<u>\$302,034</u>	<u>\$ 541,376</u>

The accompanying notes are an integral part of this financial statement.

FAIRFIELD TOWNSHIP
Statement of Cash Flows (Concluded)
Proprietary Funds
For The Year Ended March 31, 2005

	Business-Type Activities - Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Utilities</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating (Loss)	\$ (49,919)	\$ (64,508)	\$ (114,427)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	67,300	59,202	126,502
Changes in Assets and Liabilities:			
Accounts Receivable	(7,218)	(3,441)	(10,659)
Accounts Payable, Accrued Liabilities Current Portion	<u>---</u>	<u>1,000</u>	<u>1,000</u>
Net Cash Provided (Used) by Operating Activities	<u>10,163</u>	<u>(7,747)</u>	<u>2,416</u>
Cash Flows From Investing Activities:			
Purchase of Capital Assets	<u>(7,885)</u>	<u>(93,133)</u>	<u>(101,018)</u>
Net Cash (Used) from Investing Activities	<u>(7,885)</u>	<u>(93,133)</u>	<u>(101,018)</u>
Cash Flows From Financing Activities:			
Principal Paid on Bonds/Notes	<u>---</u>	<u>(30,000)</u>	<u>(30,000)</u>
Special Assessment Receivable	<u>16,045</u>	<u>88,636</u>	<u>104,681</u>
Net Cash (Used) from Financing Activities	<u>16,045</u>	<u>58,636</u>	<u>74,681</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,323	(42,244)	(23,921)
Cash and Cash Equivalents, Beginning of Year	<u>221,019</u>	<u>344,278</u>	<u>565,297</u>
Cash and Cash Equivalents, End of Year	<u><u>\$239,342</u></u>	<u><u>\$302,034</u></u>	<u><u>\$ 541,376</u></u>

The accompanying notes are an integral part of this financial statement.

FAIRFIELD TOWNSHIP
Fiduciary Funds – Statement of Net Assets
March 31, 2005

	Current Tax Collection Fund
<u>Assets</u>	
Cash and Cash Equivalents	<u>\$ 103</u>
Total Assets	<u><u>\$ 103</u></u>
<u>Liabilities</u>	
Due to Other Funds	<u>\$ 103</u>
Total Liabilities	<u><u>\$ 103</u></u>

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fairfield Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Fairfield Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is a special Revenue Fund that receives monies for contractual services and charges for the purpose of providing fire protection and Advanced and Basic Life Support Services to the community.

The government reports the following major proprietary fund:

The Water and Sewer Funds (Utilities) are proprietary funds which accounts for activities of the government's waste water and water system.

Additionally, the government reports the following fund types:

The Agency Funds account for assets held by the Township acting as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Long-Term Obligations** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
7. **Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of March of each year, the Township Board proposes a budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board of Trustees.

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

B. Excess of Expenditures Over Appropriations In Budgeted Funds - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2005, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Trustee Board	\$ 5,500	\$ 5,615	\$ 115
Treasurer	15,670	16,736	1,066
Elections	1,860	2,386	526
Attorney & Auditing	14,000	14,087	87
Cemetery	400	548	148
Building & Grounds	9,536	31,260	21,724
Community Economic:			
Development:			
Planning & Zoning	14,225	17,265	3,040
Other Functions:	15,000	17,556	2,556
Fire Fund:			
Fringe Benefits	719	800	81
Repairs & Maintenance	8,839	11,692	2,853
Transportation	1,694	1,717	23
Capital Outlay	---	821	821

NOTE 3 - DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Checking, Savings and Certificate of Deposits	\$300,000	\$ 726,988	\$ ---	\$1,026,988	\$1,026,988
	<u>\$300,000</u>	<u>\$ 726,988</u>	<u>\$ ---</u>	<u>\$1,026,988</u>	<u>\$1,026,988</u>

Includes Trust & Agency fund cash of \$103.

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

Balance Sheet Cash And Cash Investments

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC) (FSLIC)	\$ 300,000
Uninsured:	
Uncollateralized	<u>726,988</u>
Total	<u>\$1,026,988</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Asset:

Cash and Cash Equivalents	<u>\$1,026,885</u>
	<u>1,026,885</u>

Statement of Fiduciary Net Asset:

Agency Funds:	
Cash and Cash Equivalents	<u>103</u>
	<u>103</u>
	<u>\$1,026,988</u>

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Decreases</u>	<u>Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 25,000	\$ ---	\$ ---	\$ 25,000
Total Capital Assets Not Being Depreciated	<u>25,000</u>	<u>---</u>	<u>---</u>	<u>25,000</u>
Capital Assets, Being Depreciated:				
Buildings	97,153	---	---	97,153
Vehicles	531,626	---	---	531,626
Equipment	163,400	---	---	163,400
Total Capital Assets Being Depreciated	<u>792,179</u>	<u>---</u>	<u>---</u>	<u>792,179</u>
Less Accumulated Depreciation For:				
Buildings	(45,767)	(2,046)	---	(47,813)
Vehicles	(266,187)	(22,206)	---	(288,393)
Equipment	(78,074)	(7,297)	---	(85,371)
Total Accumulated Depreciation	<u>(390,028)</u>	<u>(31,549)</u>	<u>---</u>	<u>(421,577)</u>
Total Capital Assets, Being Depreciated, Net	<u>402,151</u>	<u>(31,549)</u>	<u>---</u>	<u>370,602</u>
Governmental Activities Capital Assets, Net	<u>\$ 427,151</u>	<u>\$ (31,549)</u>	<u>\$ ---</u>	<u>\$ 395,602</u>
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 106,689	\$ ---	\$ ---	\$ 106,689
Total Capital Assets Not Being Depreciated	<u>106,689</u>	<u>---</u>	<u>---</u>	<u>106,689</u>
Capital Assets, Being Depreciated:				
Sewer and Water System	\$6,222,260	\$ 101,018	\$ ---	\$ 6,323,278
Total Capital Assets Being Depreciated	<u>6,148,071</u>	<u>101,018</u>	<u>---</u>	<u>6,323,278</u>
Less Accumulated Depreciation For:				
Sewer and Water System	(1,549,693)	(126,502)	---	(1,676,195)
Total Accumulated Depreciation	<u>(1,549,693)</u>	<u>(126,502)</u>	<u>---</u>	<u>(1,676,195)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,672,567</u>	<u>(25,484)</u>	<u>---</u>	<u>4,647,083</u>
Business-Type Activities Capital Assets, Net	<u>\$4,779,256</u>	<u>\$ (25,484)</u>	<u>\$ ---</u>	<u>\$ 4,753,772</u>

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

Depreciation expense was charged to functions/programs of the Township as follows:

<u>Governmental Activities:</u>	
General Government	\$ 599
Public Safety	<u>30,950</u>
Total Depreciation Expense Governmental Activities	<u>\$ 31,549</u>
 <u>Business-Type Activities:</u>	
Utilities	<u>\$126,502</u>
Total Depreciation Expense Business-Type Activities	<u>\$126,502</u>

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At March 31, 2005, the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 103	\$ ---
Other Agency Funds	<u>---</u>	<u>103</u>
Total	<u>\$ 103</u>	<u>\$ 103</u>

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

NOTE 6 – TRANSFERS BETWEEN FUNDS

At March 31, 2005, the following transfers were made between funds:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ ---	\$10,000
Fire	<u>10,000</u>	<u>---</u>
Total	<u>\$10,000</u>	<u>\$10,000</u>

NOTE 7 – PROPERTY TAXES

The Township bills and collects property taxes and also taxes for the County and several School Districts within its jurisdiction. Collections and remittances of the County and School taxes are accounted for in the Current Tax Collection Agency Fund. Township property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

Property taxes attach as an enforceable lien on the property as of January 1.

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

NOTE 8 – LONG-TERM DEBT

Special Assessment Bond Payable - Series 2000 used for construction of the water system improvements.

Purpose: Construction of water system improvements.

Date of Note: August 24, 2000.

Interest Rate: 4.75%.

Interest Payable: May 1, and November 1.

Principal Payable: May 1, Amount of Issue: \$1,289,000.

<u>Year</u>	<u>Interest May 1</u>	<u>Principal May 1</u>	<u>Interest November 1</u>	<u>Total Payments</u>
2005	\$ 28,096	\$ 29,000	\$ 27,408	\$ 84,504
2006	27,408	30,000	26,695	84,103
2007	26,695	31,000	25,959	83,654
2008	25,959	32,000	25,199	83,158
2009	25,199	33,000	24,415	82,614
2010	24,415	34,000	23,608	82,023
2011	23,608	34,000	22,800	80,408
2012	22,800	34,000	21,993	78,793
2013	21,993	34,000	21,185	77,178
2014	21,185	34,000	20,378	75,563
2015	20,378	34,000	19,570	73,948
2016	19,570	34,000	18,763	72,333
2017	18,763	34,000	17,955	70,718
2018	17,955	34,000	17,148	69,103
2019	17,148	34,000	16,340	67,488
2020	16,340	34,000	15,533	65,873
2021	15,533	34,000	14,725	64,258
2022	14,725	34,000	13,918	62,643
2023	13,918	34,000	13,110	61,028
2024	13,110	34,000	12,303	59,413
2025	12,303	34,000	11,495	57,798
2026	11,495	34,000	10,688	56,183
2027	10,688	34,000	9,880	54,568
2028	9,880	34,000	9,073	52,953
2029	9,073	34,000	8,265	51,338
2030	8,265	34,000	7,458	49,723
2031	7,458	34,000	6,650	48,108
2032	6,650	35,000	5,819	47,469
2033	5,819	35,000	4,988	45,807
2034	4,988	35,000	4,156	44,144
2035	4,156	35,000	3,325	42,481
2036	3,325	35,000	2,494	40,819
2037	2,494	35,000	1,663	39,157
2038	1,663	35,000	831	37,494
2039	831	35,000	0	35,831
	<u>\$513,886</u>	<u>\$1,183,000</u>	<u>\$485,790</u>	<u>\$2,182,676</u>

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

NOTE 8 – LONG-TERM DEBT (Continued)

Water Supply System Revenue Bonds - Series 2000 used for construction of the water system improvements.

Purpose: Construction of water system improvements.
Date of Note: August 24, 2000.
Interest Rate: 4.75%.
Interest Payable: May 1 and November 1.
Principal Payable: May 1.
Amount of Issue: \$200,000.

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Period Total</u>
			\$ 4,608	\$ 4,608
11/1/4			4,608	6,608
5/1/5	\$ 2,000	4.750000	4,560	4,560
11/1/5			4,560	6,560
5/1/6	2,000	4.750000	4,513	4,513
11/1/6			4,513	6,513
5/1/7	2,000	4.750000	4,465	4,465
11/1/7			4,465	6,465
5/1/8	2,000	4.750000	4,418	4,418
11/1/8			4,418	7,418
5/1/9	3,000	4.750000	4,346	4,346
11/1/9			4,346	7,346
5/1/10	3,000	4.750000	4,275	4,275
11/1/10			4,275	7,275
5/1/11	3,000	4.750000	4,204	4,204
11/1/11			4,204	7,204
5/1/12	3,000	4.750000	4,133	4,133
11/1/12			4,133	7,133
5/1/13	3,000	4.750000	4,061	4,061
11/1/13			4,061	7,061
5/1/14	3,000	4.750000	3,990	3,990
11/1/14			3,990	6,990
5/1/15	3,000	4.750000	3,919	3,919
11/1/15			3,919	7,919
5/1/16	4,000	4.750000	3,824	3,824
11/1/16			3,824	7,824
5/1/17	4,000	4.750000	3,729	3,729
11/1/17			3,729	7,729
5/1/18	4,000	4.750000	3,634	3,634
11/1/18			3,634	7,634
5/1/19	4,000	4.750000	3,539	3,539
11/1/19			3,539	7,539
5/1/20	4,000	4.750000	3,444	3,444
11/1/20			3,444	7,444
5/1/21	4,000	4.750000	3,349	3,349
11/1/21			3,349	8,349
5/1/22	5,000	4.750000	3,230	3,230
11/1/22			3,230	8,230
5/1/23	5,000	4.750000	3,111	3,111
11/1/23			3,111	8,111
5/1/24	5,000	4.750000	2,993	2,993
11/1/24			2,993	7,993
5/1/25	5,000	4.750000	2,874	2,874
11/1/25				

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

5/1/26	6,000	4.750000	2,874	8,874
11/1/26			2,731	2,731
5/1/27	6,000	4.750000	2,731	8,731
11/1/27			2,589	2,589
5/1/28	6,000	4.750000	2,589	8,589
11/1/28			2,446	2,446
5/1/29	7,000	4.750000	2,446	9,446
11/1/29			2,280	2,280
5/1/30	7,000	4.750000	2,280	9,280
11/1/30			2,114	2,114
5/1/31	7,000	4.750000	2,114	9,114
11/1/31			1,948	1,948
5/1/32	7,000	4.750000	1,948	8,948
11/1/32			1,781	1,781
5/1/33	8,000	4.750000	1,781	9,781
11/1/33			1,591	1,591
5/1/34	8,000	4.750000	1,591	9,591
11/1/34			1,401	1,401
5/1/35	9,000	4.750000	1,401	10,401
11/1/35			1,188	1,188
5/1/36	9,000	4.750000	1,188	10,188
11/1/36			974	974
5/1/37	10,000	4.750000	974	10,974
11/1/37			736	736
5/1/38	10,000	4.750000	736	10,736
11/1/38			499	499
5/1/39	10,000	4.750000	499	10,499
11/1/39			261	261
5/1/40	11,000	4.750000	261	11,261
11/1/40				
	<u>\$194,000</u>		<u>\$215,516</u>	<u>\$409,516</u>

Notes Payable - USDA - for purchase of Fire Truck.
Date of Note: April 24, 2001.
Interest Rate: 4.75%.
Principal Payable: April 1.
Amount of Issue: \$90,000.

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 2,185	\$ 5,000
2006	1,948	5,000
2007	1,710	5,000
2008	1,473	6,000
2009	1,184	6,000
2010	903	6,000
2011	618	6,000
2012	333	7,000
	<u>\$10,354</u>	<u>\$46,000</u>

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

Debt service requirements over next five years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 36,000	\$ 34,201
2007	37,000	33,251
2008	38,000	32,229
2009	40,000	31,232
2010	42,000	30,112
Thereafter	<u>1,230,000</u>	<u>1,064,521</u>
Total	<u>\$1,423,000</u>	<u>\$1,225,546</u>

FAIRFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2005

NOTE 9 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2005, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 10 – ACCOUNTING CHANGE

Effective April 1, 2004, the Fairfield Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34), along with all related statements and interpretations. Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis of the Township's overall financial position and results of operations has been included.
- Township-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets totaling \$395,602.
- The fund financial statements focus on major funds rather than fund types.

FAIRFIELD TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)				
Taxes and Assessments	\$329,578	\$329,578	\$329,578	\$ ---
Intergovernmental	138,476	138,476	127,967	(10,509)
State Grants	130,000	130,000	130,557	557
Licenses and Permits	---	---	---	---
Fines and Forfeitures	8,000	8,000	11,139	3,139
Charges for Services	1,154	1,154	208	(946)
Interest and Rentals	---	---	---	---
Other	1,100	1,100	2,148	1,048
Transfer In	1,154	1,154	9,195	8,041
	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Amounts Available for Appropriation	<u>609,462</u>	<u>609,462</u>	<u>610,792</u>	<u>1,330</u>
<u>Charges to Appropriations (Outflows)</u>				
General Government				
Trustee Board	5,500	5,500	5,615	(115)
Supervisor	5,542	5,542	4,157	1,385
Treasurer	15,670	15,670	16,736	(1,066)
Assessing	15,750	15,750	15,223	527
Clerk	17,555	17,555	17,464	91
Elections	1,860	1,860	2,386	(526)
Attorney and Auditing	14,000	14,000	14,087	(87)
Cemetery	400	400	548	(148)
Board of Review	1,197	1,197	701	496
Building and Grounds	9,536	9,536	31,260	(21,724)
Public Safety				
Inspections	---	---	---	---
Community Economic Development				
Planning and Zoning	14,225	14,225	17,265	(3,040)
Public Works				
Road and Maintenance	107,176	107,176	83,278	23,898
Sanitation	11,835	11,835	11,406	429
Street Lights	3,800	3,800	3,717	83
Capital Outlay	8,000	8,000	2,461	5,539
Other Functions	15,000	15,000	17,556	(2,556)
Transfer Out	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>---</u>
Total Charges to Appropriations	<u>257,046</u>	<u>257,046</u>	<u>253,860</u>	<u>3,186</u>
Ending of Year Fund Balance	<u>\$352,416</u>	<u>\$352,416</u>	<u>\$356,932</u>	<u>\$ 4,516</u>

The notes to financial statements are an integral part of this statement.

FAIRFIELD TOWNSHIP
Budgetary Comparison Schedule
Fire Fund (Major Special Revenue Funds)
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$119,502	\$119,502	\$119,502	\$ ---
<u>Resources (Inflows)</u>				
Taxes	57,865	57,865	65,925	8,060
Interest	201	201	89	(112)
Donations	500	500	500	---
Contracted Services	3,322	3,322	4,860	1,538
Miscellaneous	---	---	5	5
Transfer In	<u>23,609</u>	<u>23,609</u>	<u>10,000</u>	<u>(13,609)</u>
<u>Amounts Available for Appropriation</u>	<u>204,999</u>	<u>204,999</u>	<u>200,881</u>	<u>(4,118)</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>Public Safety</u>				
Salaries and Wages	9,243	9,243	8,343	900
Fringe Benefits	719	719	800	(81)
Operating Supplies	2,378	2,378	2,046	332
Gas and Oil	1,397	1,397	1,220	177
Utilities	349	349	343	6
Repairs and Maintenance	8,839	8,839	11,692	(2,853)
Insurance	24,785	24,785	25,536	(751)
Dues and Publications	707	707	627	80
Computer Services	300	300	34	266
Transportation	1,694	1,694	1,717	(23)
Education & Training	1,306	1,306	945	361
Community Promotion	2,172	2,172	1,950	222
Other	19,977	19,977	17,683	2,294
Capital Outlay	<u>---</u>	<u>---</u>	<u>821</u>	<u>(821)</u>
<u>Total Charges to Appropriations</u>	<u>73,866</u>	<u>73,866</u>	<u>73,757</u>	<u>109</u>
<u>Ending of Year Fund Balance</u>	<u>\$131,133</u>	<u>\$131,133</u>	<u>\$127,124</u>	<u>\$ (4,009)</u>

FAIRFIELD TOWNSHIP
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2005

	<u>Special Revenue Funds</u>	<u>Special Revenue Funds</u>	<u>Special Revenue Funds</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Liquor Enforcement</u>	<u>Hinde Playground</u>	<u>Volunteer Fire Department</u>	
<u>Assets</u>				
Cash	\$ 389	\$4,872	\$12,600	\$17,861
Total Assets	<u>\$ 389</u>	<u>\$4,872</u>	<u>\$12,600</u>	<u>\$17,861</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	\$ ---	\$ ---	\$ ---	\$ ---
Total Liabilities	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<u>Fund Balance</u>	<u>389</u>	<u>4,872</u>	<u>12,600</u>	<u>17,861</u>
Total Liabilities And Fund Balances	<u>\$ 389</u>	<u>\$4,872</u>	<u>\$12,600</u>	<u>\$17,861</u>

The notes to financial statements are an integral part of this statement.

FAIRFIELD TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
Non-Major Governmental Funds
For The Year Ended March 31, 2005

	<u>Special Revenue Funds</u>	<u>Special Revenue Funds</u>	<u>Special Revenue Funds</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Liquor Enforcement</u>	<u>Hinde Playground</u>	<u>Volunteer Fire Department</u>	
<u>Revenues:</u>				
Intergovernmental	\$ 554	\$ ---	\$ ---	\$ 554
Donations	---	400	5,497	5,897
Interest and Rents	---	5	9	14
Other Revenue	---	---	2,906	2,906
Total Revenue	554	405	8,412	9,371
<u>Expenditures:</u>				
Public Safety	480	---	3,259	3,739
Capital Outlay	---	271	1,269	1,540
Total Expenditures	480	271	4,528	5,279
<u>Excess of Revenues Over (Under) Expenditures</u>	74	134	3,884	4,092
<u>Beginning Fund Balance</u>	315	4,738	8,716	13,769
<u>Ending Fund Balance</u>	\$ 389	\$4,872	\$12,600	\$17,861

PHILIP R. RUBLEY

- Certified Public Accountant -

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

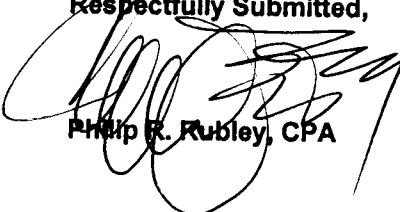
August 30, 2005

Township Board
Fairfield Township
Lenawee County
9965 Brown Street
Weston, MI 49289

In planning and performing my audit of the financial statements of Fairfield Township for the year ended March 31, 2005, I considered the Township's internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements. The consideration I gave to the internal control structure was not sufficient for me to provide any form of assurance on it. However, in reviewing the Township's processes and systems, I made observations I feel should be communicated to you and I have done so in a separate letter dated August 30, 2005. In addition I have summarized other areas for Board's consideration involving internal controls and fraud considerations.

If you have any questions on the information contained in this letter please contact me.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

INTERNAL CONTROLS

Over a relatively short period of time, there have been several large fraud related cases documented in the mid-Michigan area, as well as in other areas of Michigan and throughout the country. These highly publicized cases have raised significant concerns for management of many organizations, as well as the council and board members of these not-for-profit organizations and governmental organizations, concerning their organization's vulnerability to internal or external fraud related activities. It is strongly believed that all organizations, both small and large, have some level of risk in this area and even having the "best practices" in place will not necessarily prevent the occurrence of this unfortunate activity.

Through many recent conversations with my clients regarding their susceptibility to fraud, it was noted the most important element necessary to reduce the risk of fraud is to have a sound organizational structure, which includes sound accounting and internal control policies and procedures (IN THE EYES OF THEIR EMPLOYEES). One of the key aspects of strong controls, and thus a deterrent, is senior management's support and involvement with accounting and internal control monitoring and related decisions.

Some of the key areas to focus on include, but are not limited to, the following:

- Cash receipts handling and posting to general ledgers including the initial posting of cash receipts.
- Posting of adjusting journal entries to the ledger.
- Cash disbursements, including the establishment of vendor master files in the computer system and maintenance and controls surrounding the signature of cash disbursement checks.
- Payroll, including the access to all master files detailing wage rates and other information, and the establishment of new employees in the computer system.
- Proper approval procedures for all disbursements including a good checks and balances system i.e.: no one person responsible for this function where possible.

FRAUD CONSIDERATIONS

Statement of Auditing Standards No. 99 (SAS99), consideration of Fraud in a Financial Statement Audit

Effective for the year ended December 31, 2003, Statement on Auditing Standards No. 99 (SAS99), *Consideration of Fraud in a Financial Statement Audit*, requires additional audit procedures addressing the risk of fraud in an organization. Our responsibility is not to detect fraud, but to detect material misstatements in the financial statements caused by fraud, and our consideration of fraud is integrated into the overall audit process.

Types of fraud include intentional misstatements or omissions in financial reporting and misappropriation of assets. SAS 99 requires auditors to address:

- How and where the client's financial statements might be susceptible to material misstatement due to fraud and what conditions might be present to allow fraud to occur.
- How management could perpetrate and conceal fraud.
- How management or employees could misappropriate assets of the client.

In addition, SAS 99 requires auditors to make inquiry of:

- Management regarding their awareness and understanding of fraud, fraud risks, and steps taken to mitigate risks.
- Others within the entity, including council members, non-financial executives, administrators, and non-management personnel not directly involved in the financial reporting process, regarding the existence of suspicion of fraud and the individual's views about the risks of fraud within the entity.

Risk areas identified through inquiries and based on industry knowledge will significantly affect the audit process. With your help, the implementation of these new standards will certainly lead to a greater comfort in the controls you have designed and implemented. It may even create greater efficiency in the accounting process as a byproduct of the process.

Creating A Culture Of Honesty And High Ethics

It is the Township's responsibility to establish core values and to effectively communicate the values to employees in order to create a culture with high ethical standards. The AICPA has included the following as key components necessary for the creation of such a culture.

Setting The Tone At The Top

Management, through the modeling of high ethics themselves and effectively communicating expectations to employees, is responsible for leading the effort to create the appropriate culture within the Township.

Creating A Positive Workplace Environment

The creation of a positive workplace environment, where employees feel they are treated fairly, has proven to reduce the risk of fraud. This type of environment could be created as follows:

Allowing employees to provide input related to the code of conduct.

- Enabling employees to internally seek advice concerning decisions that appear to have ethical implications.
- Establishment of a fair reward system.
- Implementation of team-focused decision making policies.

Hiring And Promoting Appropriate Employees

Policies must be effective in reducing the chances of hiring and promoting individuals with low ethical standards.

Training

Core values expressing an attitude of intolerance toward unethical behavior should be communicated immediately to new hires and should be recommunicated periodically to all employees.

Confirmation

Reinforcement of core values occurs if the employees are required to sign a code of conduct statement.

Discipline

Consequences of unethical behavior should be communicated upfront, and management response to unethical behavior should be consistent with the consequences communicated. Management's response demonstrates the level of commitment to the ethical standards and could deter future wrongdoing.

Evaluating Antifraud Processes and Controls

Perceived opportunity to successfully commit fraud increases the risk that fraud will occur. The following can help in reducing the opportunity for fraud.

Identifying And Measuring Fraud Risks

The Township's vulnerability to fraudulent activity (including Fraudulent financial reporting, misappropriation of assets, bribery and other illegal acts) should be assessed.

Implementing And Monitoring Appropriate Internal Controls

Internal processes can be modified to reduce fraud risk. Examples of such process modifications are as follows:

- Additional review of the procurement process
- Segregation of duties
- Adequate scrutiny of interim financial reports and budget reports by management

Developing An Appropriate Oversight Process

Whether it is external or internal oversight, appropriate oversight should be identified and established.

Township Board

The Township Board is ultimately responsible for ensuring management is doing an effective job of monitoring fraud risk and implementing procedures to mitigate fraud risk. Therefore, the Board should be evaluating management's assessments and controls.

Independent Auditors

Independent auditors can provide an assessment of the Township's process for identifying, assessing and responding to the risk of fraud.

Certified Fraud Examiners

Certified Fraud Examiners can provide additional insight into the risk assessment.

Other Information

The following Web sites provide additional guidance on fraud and the implementation of anti-fraud programs and controls:

American Institute of Certified Public Accountants	www.aicpa.org
Association of Certified Fraud Examiners	www.cfenet.com
Financial Executives International	www.fei.org
Information Systems Audit and Control Association	www.isaca.org
The Institute of Internal Auditors	www.theiia.org
Institute of Management Accounts	www.imanet.org
National Association of Corporate Directors	www.nacdonline.org
Society for Human Resource Management	www.shrm.org